

MINUTES
Highway Expansion and Extension Loan Program

Advisory Committee Study Session
May 2, 2000

Committee Members Present:

Mary Peters
Cliff Potts
Bruce Hilby

Gary Magrino
Paul Schwartz
Tami Ryall

Members Absent: Jeff Martin

Others Present:

John McGee, ADOT
Shawn Dralle, ADOT
Bob Miller, ADOT
Jim Glock City of Tucson
Gary Oakes, City of Tucson
Ben Goff, Pima Assoc. of Governments
Armando Monteverde, City of Tucson, DOT
Greg Stultzman, City of Tucson
Representative from City of Marana

Cherie Campbell, Pima Assoc. of Governments
Dave Perkins, Kimley-Horn
Bill Jansen, City of Oro Valley
Dennis Alvarez, ADOT
Richard Mull, Town of Sahaurita
Evamae Nye, ADOT
Anna-Marie Perry, ADOT
Val Carrola, ADOT

Call to Order

The study session was called to order by Chairman, Mary Peters. She asked the Committee and attendees to introduce themselves, and requested Ms. Dralle to review the requirements for accepting HELP applications, how they are processed for recommendation to the State Transportation Board and how the interest rates are set on the loans.

Ms. Dralle gave a PowerPoint presentation, which reviewed the HELP program to date. She noted that the two pilot loans (Chandler and Mesa) are not included in the requirements of the Senate Bill 1201.

Since the passage of SB 1201, the criteria or the process has not been changed. Ms. Peters indicated that some Committee members feel there is not a lot of discretion on the part of the Committee in terms of the Maricopa County projects since they were specifically designated in SB 1201. Ms. Peters stated that she believes that there is a certain amount of discretion on these projects. While SB1201 identified a number of Maricopa projects, the HELP was one funding mechanism, Grant Anticipation Notes was another, federal funding, state funding and RARF funding are all part of the equation. There were issues as to which source could fund these projects and not a specific designation about a certain project would be funded by SIB. HELP further requires the projects to be in the Transportation Improvement Plan (TIP)

in local areas. This is an area where the Committee does not have discretion, but there is discretion in other areas.

It was noted that the three-way split of the HELP fund is not a point-in-time determination but a determination over the life of the fund. Ms. Ryall concurred.

Ms. Ryall stated she believed the intent is the creation of the capacity. She noted there is not a lot of control over the loans, but the Committee has control over creating capacity for the loans. Ms. Dralle agreed that working off of base case, and the interpretation of that part of the statute through 2004, one position could be that once you hit the base case according to the formula anything else above that does not have to be applied to the 50%, 25%, 25% split.

If there were additional capacity, the other position would be that the funds would still be split according to the formula. It was suggested that between now and 2004, the Committee may want to address the issue and put it on a legislative agenda. Mr. McGee agreed that the interpretation should be clarified by legislation. In discussion with the primary legislative staff person who worked on the bill, the staff person stated that it was not the intent of the legislation. If a project is submitted that the Committee would like to fund and it throws the percentages off, he said that there may be some concern if all of the excess went to one of the three areas. He indicated if any additional capacity over base case were kept relatively in that same proportion, it would likely be acceptable.

Interest rates for loans were also discussed. Guidelines were provided in the meeting packet and were discussed as well as a summary of what other state infrastructure banks are doing currently with their interest rates.

It was noted that of the eleven states authorized under ISTEA or TEA 21, seven of them have programs in place. Some states are doing as the Advisory Committee i.e. tying their interest rates to similar tax-exempt interest rates and then applying some type of subsidy. Some pick a flat interest rate and do not bother with credit considerations or term length; others tie it to some percentage of prime rate. Some look at credit considerations, some do not. Some only do loans over a \$100 million; some only do loans that are less than a \$1million dollars.

All of the options that the Committee has discussed fall somewhere in the matrix. She noted that Florida, Missouri, Oregon and Texas are the most similar to Arizona's program, and Texas the most comparable. Texas has done a number of loans both to their State Department of Transportation and to local communities. There are a few states that are charging administrative fees.

Mr. Magrino asked Ms. Dralle to investigate which of the state programs is actually "pushing" the money out the door and suggested that HELP model what they do in order to ensure that the HELP money is out working instead of in the bank. He commented that he was unsure whether the long-term loans were either good or bad. It was noted that our average range was two to five years; whereas, some of the other states' loans were 20 plus years.

Regarding the interest rate, Ms. Dralle reviewed the original determination, which was to be 70% of a taxable interest rate, tied to a Treasury bond. She stated that it made more sense to tie the loans to a tax-exempt yield. The borrowing rate changed from the 70% of an U. S.

Treasury bond to 90% of a municipal or tax-exempt yield, because tax-exempt yields are lower than the taxable rate.

Ms. Peters stated that this is in keeping with Arizona Revised Statutes that the interest rate of any loan shall be uniform with the interest rate for comparable loans if HELP did not exist.

Mr. McGee emphasized that comparable loans are going to be somewhat difficult to align. If loans are being made to two different entities, they may have different credit ratings, and if the loans are made in two different time periods, interest rates may be substantially different from one time period to another. Uniformity would be difficult, but the structure should be consistent.

Ms. Peters reiterated previous discussions regarding the mission of the Committee. Mr. Potts responded that the mission is to keep the money loaned out and to have as many projects going as possible. He believed the interest rate is secondary, although it does add to the funds. He would like the fund to get the highest rate possible to maximize the number of applicants for loans. Mr. Schwartz agreed.

Mary Peters recapped the items agreed upon from the discussion as follows:

- Maximize the ability to get the money out to accelerate projects;
- Establish interest rates that would adjust accordingly;
- Look at more adjustment in the interest rates;

Mr. Hilby asked for a clarification of the interest rates at any given point in time. If the loans are going to be subsidized at 10% of the municipal market rate, each borrower would get that no matter what the credit rating or how many years they are paying it off. Interest would not be set from one borrower to another. Discussion followed. Mr. Hilby stated that HELP should have the same rate across the board until it is changed and if there is a change, that the Committee would be making the decision as a group.

Criteria

Comment was made by Mr. Hilby regarding action taken by MAG on the Squaw Peak acceleration and felt that the HELP Committee was instrumental in moving the project up.

Ms. Peters asked if Ms. Dralle had received feedback about longer payback terms. Ms. Dralle stated that the payback term is definitely an important issue. The 50% federal aid issue for local projects has been resolved with the new legislation.

Ms. Peters posed questions regarding how the loans can be structured and rated within the bounds of the legislation and suggested working sessions with representatives of various groups using the MPO and COG directors, working with the 13 counties to determine what criteria would make the best sense to provision the HELP Committee and the Board to advance projects in the respective regions. She stated that the Committee is interested in loan integrity but also interested in getting the funds out to have the money work.

Mr. Hilby proposed that making changes in the legislation to accomplish the final result may be a consideration for discussion.

Ms. Peters asked Tucson representatives if there are projects that Tucson might have proposed, but the repayment criterion was a detriment to proposing projects.

The City of Tucson representative stated that they did not have any strong feeling at this time since all of the projects submitted by the city have been accepted. However, they are coping with more projects than they have funding.

The attendees also reported that the recent changes in HB 2100 made the program more attractive for local jurisdictions. The attendees expressed that meeting with the MPOs and COGS and local government representatives was a good idea.

It was suggested that the Committee look at a modification of the criteria, not having as much emphasis on the short or fast loan repayment. Ms. Peters asked if the other criteria (mobility, air quality, and environmental impact) are appropriate in the region at 20 points each. It was reported that a project would not be in the TIP unless it met the qualifications for the TIP: air quality and addresses all of environmental impacts, and would have a program that demonstrates regional mobility and safety benefits.

It was noted that loan repayment is a separate issue when ADOT would be paid first from the HURF before any distribution if there were a problem on the loan.

Mr. Potts stated that he would definitely support rating safety at a higher factor than mobility and air quality. He suggested taking 10 points away from mobility and air quality and adding it to safety. He believed that safety is a primary benefit in accelerating the projects.

Mr. Schwartz supported Mr. Potts' suggestion that safety should be a higher consideration and point value.

Ms. Ryall reminded the Committee that they had set the point value at past meetings of the Committee.

Ms. Peters noted that in the rural areas safety is an impacting factor whereas mobility is not a large factor. She reported that Arizona has 1,000 fatalities a year on highways, and the Committee has the ability to improve the infrastructure and change this factor. She stated that she believes that the Committee has an obligation to do this.

Mr. Hilby stated that he would pull the points for safety away from financial as opposed to mobility and air quality.

After discussion, it was the decision that the interest rate would stand for a period of time. The Committee will evaluate the interest rate and agenda the issue for evaluation every six months.

Ms. Ryall stated that two different sets of point value could be created according to the location of the community. She also supported the Chair's suggestion of letting the COGs decide the issue.

If the Committee is comfortable with the suggestion, Ms. Peters asked Ms. Dralle to have staff dialogue using the COG's and MPO's structures, to get their feedback on the best opportunity to advance projects. She requested that the discussions be broad enough so that Ms. Dralle can report recommendations to the Committee.

Mr. Magrino asked the City of Tucson, Pima County and PAG attendees to discuss at the focus meetings barriers the HELP Committee members have put up to preclude the entities from using the HELP fund.

Study session adjourned at 2:30 p.m.

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Call to Order

The regular Committee meeting of the HELP Advisory Committee was called to order by Chair Mary Peters and convened at 2:45 p.m.

Adoption of Minutes

Ms. Peters called for the adoption of the March 7, 2000 Committee meeting minutes. Ms. Ryall moved for adoption of the minutes and Mr. Schwartz seconded the motion. Motion carried unanimously.

Staff Report

Ms. Dralle reported on the status of the City of Phoenix/SR 51 application to complete the final section of Squaw Peak Parkway, Union Hills to Pima. This is one of the first applications that falls under the new guidelines to negotiate an IGA within a three-month time frame or report to the Committee on the progress. There are some design concerns that overlap a section on the Black Mountain as well as the Squaw Peak section. HELP will not have a final IGA with the city for the Squaw Peak partly because the design originally, at the city's request,

included the Black Mountain Parkway amenities, for which the city was going to pay. The city has now determined that they do not have enough funding. The design engineers are meeting to separate the two items, and ADOT has another meeting set up with the City of Phoenix to finalize the schedule of key dates for attachment to the IGA. Ms. Dralle will report back on this issue at the next meeting.

Ms. Dralle noted that the HELP fund status and cash fund report that is distributed to the State Transportation Board at each of their meetings will be included in the HELP agenda packet as standard practice.

Outreach Effort

Ms. Dralle reported that she would be setting up focus groups with the COGs and MPOs within the next few months for feedback on the criteria. A workshop is being planned in conjunction with a HURF distribution program. Topics will include how the HURF distribution is calculated and information on the HELP program. The first workshop will be in Phoenix, but staff will be making the workshops available in outlying areas.

Ms. Dralle reported that she had met with the City of Sierra Vista to discuss an application, which will be likely to come to the Committee in the near future to advance Buffalo Soldier Trail. This is an existing road that needs improvement.

ADOT has been invited to speak at the Governor's Rural Conference in September in Sedona, and HELP will be a part of the panel. This is an annual conference with economic professionals, city management, and some private sector stakeholders are invited. Ms. Dralle stated that ADOT has the speaking time slot immediately following the Governor's address at lunchtime. The conference date is September 7.

Ms. Dralle announced that the HELP group has completed the internal program and accounting guidelines. Ms. Dralle recognized Anna-Marie Perry for coordinating the procedures and accounting guidelines for the program.

Ms. Dralle reported recent discussions with Mr. Ron Lee, Executive Director of the Arizona Commission of Indian Affairs, and with attorneys, regarding what could be done in this program, other than change the statute, to make tribal loans. Attorneys from Snell & Wilmer and attorneys from other locales have discussed an idea on how tribes can access other infrastructure program loans that have the same definition and requirements as in the Arizona statutes. Ms. Dralle has forwarded the analysis to the Arizona Attorney General and anticipates having dialogue on the idea.

Statewide/PAG Loan Application

The applications have been separated into two applications: One to cover statewide projects (13 counties) and one to cover PAG projects. Mr. Miller has worked through both the statewide program and the PAG program in conjunction with the COGs and others and has identified certain projects. The two applications advance design and right-of-way to be in a position to advance the construction portion of the project the following year. Ms. Dralle reviewed each of the applications on a project basis indicating the amount being borrowed, when

the draw is expected, how much is being advanced and where in the state or in PAG region the projects are located.

Ms. Peters asked the PAG audience if they had any comments on the list of PAG projects that they would like to make to the Committee. PAG staff stated that PAG supports the acceleration.

Ms. Peters entertained a motion to approve the statewide/PAG loan applications. Motion was made by Paul Schwartz to approve the statewide /PAG applications and seconded by Mr. Magrino. Motion passed unanimously.

Ms. Peters called for comments from the public. There being no comment, Ms. Dralle discussed the future meeting dates for the Committee. It was noted there may be some scheduling conflicts in June and July. Ms. Dralle recommended a possible conference call date for a June and July meeting if the applications come in from Sierra Vista and City of Phoenix. Documentation would be distributed in advance of the meeting. Ms. Peters asked the preference of the Committee. The Committee was unanimous on the conference call. A schedule of preliminary dates will be sent to the Committee members to coordinate a day for a conference call. Ms. Dralle stated that she would keep the Committee informed.

The regular August Committee meeting will be held in Payson at 11 a.m. on August 17, 2000.

There being no further business, the meeting was adjourned at 3:00 p.m.